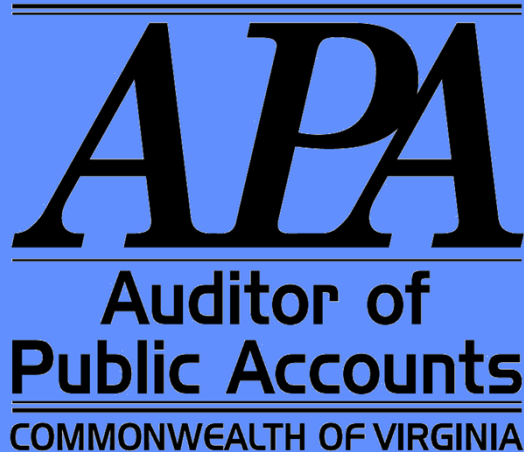


MARINE RESOURCES COMMISSION

**REPORT ON AUDIT
FOR THE TWO YEAR PERIOD ENDING
JUNE 30, 2010**



AUDIT SUMMARY

Our audit of the Marine Resources Commission for the two year period ending June 30, 2010, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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AGENCY HIGHLIGHTS

The Marine Resources Commission (Commission) manages the Commonwealth's marine fishery and habitat resources. It manages publicly owned oyster beds, leases oyster planting grounds, constructs artificial reefs to enhance habitat, and is responsible for Virginia's streambeds and tidal bottomlands, wetlands, and dunes. The Virginia Marine Police, the Commission's law enforcement division, enforces boating, fishery, and habitat management laws and regulations in tidal waters. It also provides search and rescue services, and patrols contaminated areas to prevent harvesting and fishing. All of the Commission's duties relate primarily to the tidal waters of the Commonwealth.

Financial Information

The Commission receives a combination of General Fund appropriations, special revenue funds, and federal grants. The Commission also collects various special revenue funds, including revenue from the sale of saltwater fishing licenses, which the Department of Game and Inland Fisheries sells on behalf of the Commission.

The Commission's largest program, Marine Life Management, accounts for the majority of the Commission's expenses. This program includes regulation and enforcement activities, fishery management, and replenishment and restoration activities for shellfish and oysters. The majority of expenses under this program are personnel costs for the employees who carry out these functions. Under this program the Commission also, after a public review process and approval by the agency's Commission Board, awards grants for projects benefitting recreational fishing in the Commonwealth.

The following tables summarize the funding sources for the Commission:

Analysis of Funding Sources - FY 2009

<u>Funding Source</u>	<u>Original</u>	<u>Final</u>	<u>Expenses</u>
General	\$ 10,791,049	\$ 10,092,395	\$ 10,086,616
Special Revenue	5,058,525	6,285,699	3,635,366
Commonwealth Transportation	313,768	-	-
Debt Service	-	61,000	-
Dedicated Special Revenue	815,103	2,236,117	534,115
Federal Trust	<u>2,465,000</u>	<u>4,067,975</u>	<u>2,768,889</u>
Total	<u>\$ 19,443,445</u>	<u>\$ 22,743,186</u>	<u>\$ 17,024,986</u>

Source: CAFR 1419D1 Report as of 6/30/09, Commonwealth Accounting and Reporting System

Analysis of Funding Sources – FY 2010

<u>Funding Source</u>	<u>Original</u>	<u>Final</u>	<u>Expenses</u>
General	\$ 10,022,858	\$ 8,170,838	\$ 8,165,059
Special Revenue	5,713,500	6,493,209	3,726,445
Commonwealth Transportation	313,768	-	-
Debt Service	-	126,000	-
Dedicated Special Revenue	1,236,117	1,957,117	791,723
Federal Trust	<u>2,465,000</u>	<u>15,983,383</u>	<u>11,147,129</u>
Total	<u>\$ 19,751,243</u>	<u>\$ 32,730,547</u>	<u>\$ 23,830,356</u>

Source: CAFR 1419D1 Report as of 6/30/10, Commonwealth Accounting and Reporting System

The following tables show budget and actual expense information for fiscal years 2009 and 2010 for the Commission's programs.

Analysis of Budgeted and Actual Expenses by Program – FY 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Marine Life Management	\$ 15,384,705	\$ 18,699,532	\$ 13,264,571
Coastal Lands Surveying and Mapping	2,133,781	1,825,781	1,640,035
Tourist Promotion	220,000	220,000	193,526
Administrative and Support Services	1,704,959	1,921,328	1,917,089
Capital Outlay Projects	<u>-</u>	<u>76,545</u>	<u>9,765</u>
Total	<u>\$ 19,443,445</u>	<u>\$ 22,743,186</u>	<u>\$ 17,024,986</u>

Source: CAFR 1419D1 Report as of 6/30/09, Commonwealth Accounting and Reporting System

Analysis of Budgeted and Actual Expenses by Program – FY 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Marine Life Management	\$ 16,460,694	\$ 28,450,952	\$ 20,254,860
Coastal Lands Surveying and Mapping	2,133,781	2,133,781	1,623,398
Tourist Promotion	220,000	220,000	176,274
Administrative and Support Services	1,704,959	1,794,035	1,775,824
Capital Outlay Projects	-	131,779	-
Executive Management	<u>(768,191)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 19,751,243</u>	<u>\$ 32,730,547</u>	<u>\$ 23,830,356</u>

Source: CAFR 1419D1 Report as of 6/30/10, Commonwealth Accounting and Reporting System

At the beginning of fiscal year 2009, the Commission requested an additional \$3.3 million in appropriations and grant funds for Marine Life Management based on increased planned fiscal year expenses. The majority of the \$5.6 million difference between the final budget and expenses for fiscal year 2009 results from delayed project completion dates and delayed billing for projects funded from the Saltwater Recreational License fee sales, unspent funds appropriated to replace general funds lost in prior budget reductions in the Marine Life Management program, and unspent oyster replenishment funds due to timing and biological conditions.

During fiscal year 2010, the Commission received two grants from the National Oceanic and Atmospheric Administration (NOAA); one for approximately \$15 million to assist with the state of the Virginia Blue Crab Fishery, and one for approximately \$2 million for oyster replenishment projects, thus causing the increase in the original budget. The Commission spent only \$9 million of the \$15 million in grant funds during fiscal year 2010, with plans to spend the remaining amount by the end of fiscal year 2013. Expenses were below the final budget because the Commission did not spend all of the grant funds, as well as the residual oyster replenishment funds caused by the timing of the replenishment season.

Additionally, the Department of Planning and Budget established the Executive Management program in fiscal year 2010 to account for General Fund budget reductions. During the course of the year, the Commission reduced its overall spending so as not to over-expend total appropriations.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

January 19, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Marine Resources Commission** for the two year period ending June 30, 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Marine Resources Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Contractual services expenses
- Transfer payments
- Personal services
- Supplies and materials expenses
- Small purchase charge card
- Capital assets
- Revenues
- Information systems security

We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, including vouchers, deposit certificates, contracts, board minutes, and applicable sections of the Code of Virginia. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Marine Resources Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Marine Resources Commission records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on January 19th, 2011. Management's response to our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

LEB: alh



COMMONWEALTH of VIRGINIA

*Marine Resources Commission
2600 Washington Avenue
Third Floor
Newport News, Virginia 23607*

Douglas W. Domenech
Secretary of Natural Resources

Steven G. Bowman
Commissioner

March 15, 2011

Mr. Walter J. Kucharski
The Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Mr. Kucharski:

We would like to commend all of your staff who participated in the 2011 audit at the Marine Resources Commission.

We were very pleased by the professionalism of your staff and in-depth knowledge of the State's financial, business systems and internal control processes, and appreciate their willingness to work with us during the audit period.

I am a firm believer in accountability, and in protecting the financial resources of the Commonwealth. Participating in a yearly audit is an excellent way to safeguard the assets that we hold in trust for the citizens of Virginia, and to ensure that our agency is as fiscally responsible.

As we move forward during the fiscal year, and the next, we will certainly bear in mind all the suggestions and recommendations that your staff made during the recent audit, and will incorporate these into our agency financial and internal control processes.

We are pleased to say that there were no reported findings in our agency's 2009 and 2010 fiscal year audit, and we look forward to a similar result on our next audit by your staff.

Sincerely,


Steven G. Bowman

SGB;mg

An Agency of the Natural Resources Secretariat
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VIRGINIA MARINE RESOURCES COMMISSION BOARD

Steven G. Bowman
Commissioner

Steven G. Bowman, Chairman

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J.T. Holland	Kyle Schick
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